

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BONN IMMEDIATE

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TOECO 6

FOLLOWING TEL SENT ACTION SECSTATE INFO EC BRUSSELS ROME POUCH
GENOA NAPLES TRIESTE TURIN FROM MILAN 5 NOVEMBER REPEATED

QTE UNCLAS MILAN 1739

E. O. 11652: N/A

TAGS: EIND, ETRD, IT

SUBJECT: ITALIAN FERROUS SCRAP REQUIREMENTS: CASEY-
SOAMES MEETINGS

REF: (A) STATE A-8420 OF 10/5; (B) MILAN 1619

PASS ALSO COMMERCE FOR DEPT ASST SEC COOK

1. SUMMARY: DR. DEL GUERCIO, CAMPSIDER (CONSORTIUM FOR THE
PROVISION OF RAW MATERIALS TO THE ITALIAN STEEL INDUSTRY)
DIRECTOR, CALLED ON CONSUL GENERAL NOVEMBER 5 TO
RE-EMPHASIZE PROBLEMS ITALIAN STEEL INDUSTRY STEMMING LARGELY
FROM US FERROUS SCRAP EXPORT CONTROLS. DEL GUERCIO WISHES TO
UNDERSCORE ITALIAN CONCERN IN LIGHT CASEY-SOAMES DISCUSSIONS
TO WHICH ITALIAN INDUSTRY ATTACHES PRIMARY IMPORTANCE.
ACCORDING DEL GUERCIO, FOR 1974, ITALIAN INDUSTRY NEEDS (1)
EARLY DECISION ON AMOUNT OF SCRAP U.S. ABLE TO PROVIDE; (2)
EARLY RELEASE OF 230 THOUSAND METRIC TONS ORDERED AFTER
JULY 1 CUT-OFF; AND (3) IF POSSIBLE, ASSURANCES THAT ITALY
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BE PERMITTED BUY 700 THOUSAND METRIC TONS FERROUS SCRAP

DURING 1974 OR AT MINIMUM 600 METRIC TONS.

2. CAMPSIDER DIRECTOR DEL GUERCIO CALLED ON CONSUL GENERAL TODAY TO STRESS ONCE AGAIN (SEE REFTEL B) SERIOUS SITUATION FACING ITALIAN STEEL INDUSTRY CAUSED BY LACK NORMAL QUOTA FERROUS SCRAP IMPORTS FROM U.S. CONTRIBUTING FACTOR IS RAILWAY AND CUSTOMS OFFICIALS STRIKES THAT HAVE DELAYED SHIPMENTS FROM OTHER EC MEMBERS, PRINCIPALLY FRANCE. RESULT, ACCORDING TO DEL GUERCIO, IS THAT SOME STEEL PRODUCERS HAVE CUT BACK PRODUCTION. PROBLEMS PARTICULARLY ACUTE NORTHERN ITALY DUE PREVALENCE ELECTRIC FURNACES REQUIRING 100 PERCENT SCRAP.

3. DURING CONVERSATION DEL GUERCIO LEFT COPY EC PAPER FOR VICE PRESIDENT SOAMES DURING HIS WASHINGTON MEETINGS WITH UNDER SECRETARY CASEY POINTING OUT PERNICIOUS EFFECTS US FERROUS SCRAP EXPORT CONTROLS AND IMPORTANCE THAT U.S. 1974 POLICY NOT RPT NOT BE BASED SOLELY AMOUNTS ORDERED DURING ATYPICAL CY 1973. ACCORDING DEL GUERCIO, ALLOCATIONS BASED ON AMOUNTS EXPORTED DURING 1973 IGNORING HISTORIC AVERAGES WOULD BE DISASTROUS FOR ITALY, LARGEST EC CONSUMER OF U.S. SCRAP IRON. DEL GUERCIO URGED THAT 1974 ALLOCATIONS BE DERIVED FROM REPRESENTATIVE BASE PERIOD SUCH AS 1968-1972 WHEN EC IMPORTED AVERAGE 957 SHORT TONS ANNUALLY. BY COMPARISON, EC EXPECTED TO IMPORT ONLY 589 THOUSAND SHORT TONS IN CY 1973.

US FERROUS SCRAP EXPORTS TO EC, 1968-73

(MILLION METRIC TONS);

YEAR	ITALY	OTHER EC	TOTAL EC
	(INCLUDING U.K.)		
1973 JAN/APR	82	4	86
1973 (EST.)	320	„A.	N.A.
1972	670	36	706
1971	534	333	867
1970	446	347	793

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1969	797	441	1,238
1968	661	91	752

4. AS PREVIOUSLY REPORTED (REF B), REDUCED 1973 ORDERS CAUSED BY STRIKES AND OTHER ABNORMAL PRODUCTION CUTBACKS DURING FIRST 4 MONTHS 1973 WHICH INDUCED ITALIAN STEEL INDUSTRY TO DELAY NORMAL SCRAP ORDERS UNTIL AFTER UNEXPECTED JULY 1 CUT-OFF DATE.

5. TO ASSURE PROPER FUNCTIONING ITALIAN STEEL INDUSTRY
IN 1974, DEL GUERCIO STRESSED THREE BASIC NECESSITIES:

(1) THAT OF HAVING A QUICK DECISION RE 1974 ALLOTMENT US
SCRAP EXPORTS, SO THAT ITALIAN INDUSTRY MAY PREPARE CONTIN-
GENCY PLANS IN CASE U.S. UNABLE TO MEET ITALIAN NEEDS;

(2) THAT THE 230 THOUSAND METRIC TONS (255 THOUSAND SHORT
TONS) OF FERROUS SCRAP ORDERED BY ITALIAN INDUSTRY AFTER THE
JULY 1 CUT-OFF BE LICENSED FOR EXPORT IN TIME TO PERMIT
DELIVERY IN ITALIAN PORTS IN LATE-JANUARY, FOUR; AND

(3) THAT THE 1974 FERROUS SCRAP ALLOCATIONS APPROACH THE
700 THOUSAND METRIC TONS (770 THOUSAND SHORT TONS) ESTIMATED
NECESSARY BY ITALIAN INDUSTRY. THIS 700 THOUSAND METRIC TONS
WOULD INCLUDE THE 230 THOUSAND METRIC TONS REQUESTED FOR
EARLY 1974 DELIVERY. DEL GUERCIO NOTED 700 THOUSAND METRIC
TONS REPRESENTED DESIRABLE LEVEL, BUT STATED THAT ITALIAN
INDUSTRY COULD LIVE WITH 600 THOUSAND METRIC TONS IF
NECESSARY. FINA UNQTE
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